State Information Technology Procurement: Adapting to the Forces of Change

State of Tennessee General Assembly
Fiscal Review Committee
October 21, 2014

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About NASCIO

- National association representing state chief information officers and information technology executives from the states, territories and D.C.

- Founded in 1969

- NASCIO's mission is to foster government excellence through quality business practices, information management, and technology policy.

Fiscal recovery and IT budgets: CIOs still seeking IT operational **cost savings,** consolidation, optimization, innovation

Cybersecurity threats! New risks, enterprise strategy, funding inadequate

Transition: systems-centric *to* technology as a service

Focus on project management, alternative **sourcing** options

Continuing IT **workforce** retirements, skills gap, recruiting challenges

Focus on **SMAC** stack: social, mobile, analytics, cloud

The Forces of Change

Planning and Oversight of Large, Critical Projects
Sourcing
Managing Data as a Strategic Asset
Consolidation
Mobility
Cloud Services
Public Safety Broadband
Cybersecurity
Drones
Innovation

2014 State CIO Survey

Planning and Oversight of Large Projects

What factors had the greatest impact on the level of success for these projects?	
Executive sponsorship	64.6%
Effectiveness of governance and decision-making	58.3%
Effectiveness of project management	58.3%
Effectiveness of vendor oversight and contract management	29.2%
Effectiveness of the procurement and contracting process	25.0%
Vendor experience and expertise	20.8%
Organizational change management and training	14.6%

State CIOs: Advice from the Trenches
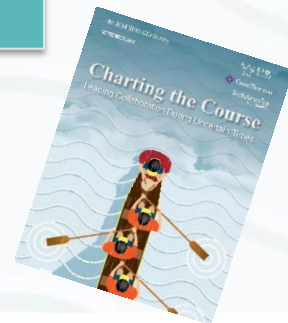
Strong vendor and contract management: The effective management of System Integrators (SIs) has become a critical skill for states

Importance of the procurement process: Bad procurements lead to bad contracts. Do not define "successful procurement" as just an award with no protests

Adopt an incremental approach: The best way to improve the success of large, multi-year projects is to stop doing large, multi-year projects
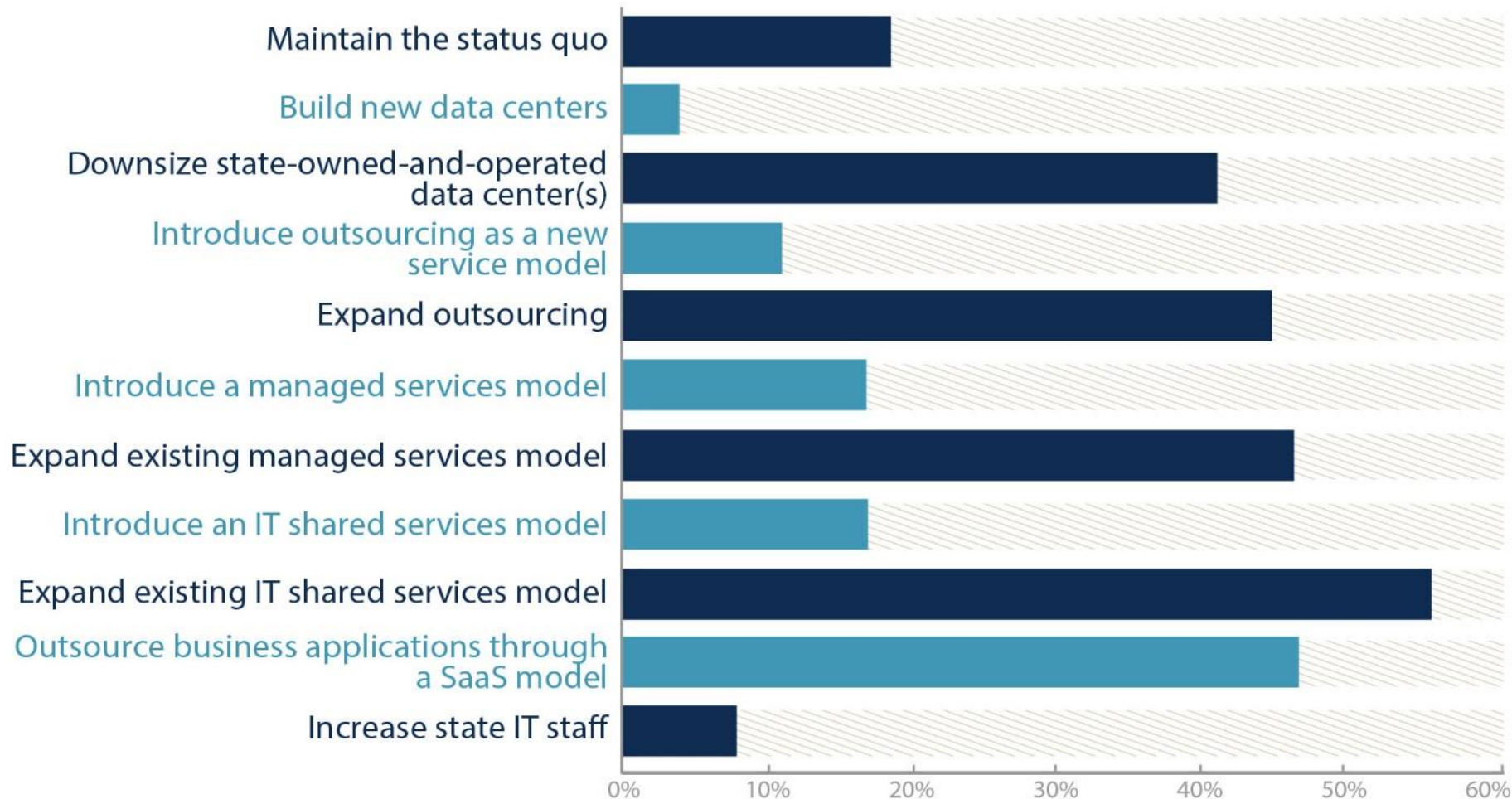
Charting the Course: Business Models

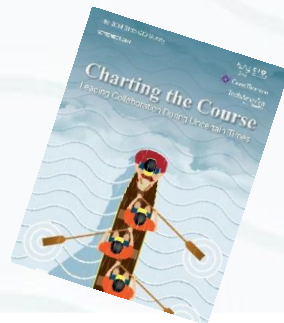| What business models and sourcing strategies does your state CIO organization currently use?	2014	2013
Owns and operates all state IT assets and operations	37%	29%
Owns and operates multiple data centers	58%	65%
Owns and operates a consolidated data center	65%	57%
Outsources some of its IT infrastructure operations	46%	51%
Outsources some of its IT application and services	81%	69%
Uses a managed services model for some or all IT operations	60%	65%
Uses an IT shared services model for some or all IT operations	70%	73%

Sourcing in the Next Three Years?

How does your state CIO organization plan to deliver or obtain IT services over the next three years?

Category	Value
Maintain the status quo	~18%
Build new data centers	~4%
Downsize state-owned-and-operated data center(s)	~41%
Introduce outsourcing as a new service model	~11%
Expand outsourcing	~45%
Introduce a managed services model	~17%
Expand existing managed services model	~47%
Introduce an IT shared services model	~17%
Expand existing IT shared services model	~56%
Outsource business applications through a SaaS model	~47%
Increase state IT staff	~8%

Managed Services Targets

What areas are you contemplating to source for managed services in the next year?

Infrastructure: processing, storage, networking and other fundamental computing resources	66.7%
Platform: deployment of applications, libraries, services, and tools	58.3%
Software: the use of applications running on a cloud infrastructure environment	86.1%

Forces of Change: Technology as a Service

- Cost savings and efficiency
- Flexibility and scalability
- Rapid provisioning
- Measured service
- Better data security

Cloud services as an example

- Move from systems-centric to *services-centric*
- Shift spend from O&M to new services
- Support collaboration, transparency, insight

This trend is disrupting the traditional notions of state IT. It has serious implications for state budgeting, procurement, business processes, project and portfolio management.

Cloud Services

What is your state's status regarding cloud services?	2013	2014
The state is already highly invested in cloud services	6%	20%
The state has some applications in the cloud and is considering others	68%	73%
The state is still investigating cloud services	22%	6%
The state has considered cloud services but has rejected it	2%	0%
Other	2%	2%

What categories of services have you migrated or do you plan to migrate to the Cloud? (select all that apply)

E-mail and collaboration	64%
Storage	48%
Geographic Information Systems	48%
Disaster recovery	44%
Program/business applications (e.g., licensing, unemployment insurance, workers' comp, etc.)	42%
Office productivity software (e.g., word processing)	37%
Digital archives/electronic records	31%
Citizen relationship management	25%
Open data	25%
Enterprise Resource Planning	23%
Imaging	15%
Other	15%

Source: 2013 State CIO Survey NASCIO/TechAmerica/Grant Thornton

State CIO Views on IT Procurement

Figure 5

To what extent do you believe that the procurement process used by your state is effective in acquiring best value IT goods and services in a timely manner?

| 11% | 49% | 32% | 8% |

- ■ Very ineffective
- ■ Somewhat ineffective
- ■ Effective
- ■ Very effective

Figure 7

How satisfied are you with the current system of IT procurement in your state?

| 11% | 40% | 43% | 6% |

- ■ Very dissatisfied
- ■ Somewhat dissatisfied
- ■ Satisfied
- ■ Very satisfied

What are State CIOs Doing?

- Partnering and collaborating with the state procurement office
- Leveraging consortium procurements and enterprise agreements
- Changing approval limits for more expedited purchases
- Seeking standard terms and conditions for cloud and/or Software-as-a-Service offerings
- Moving the IT procurement function to the state CIO's office

NASCIO Recommendations for Improving State IT Procurement

If permissible, remove unlimited liability clauses in state terms and conditions

Leverage enterprise architecture for improved IT procurement

Don't require performance bonds from vendors

Adopt a "license" rather than a acquisition approach to vendor's intellectual property (IP) and work product

Recognizing the forces of change, introduce more flexible terms and conditions; continuous process improvement

Implement rules for using competitive negotiations to facilitate "give-and-take" between buyer and seller

Questions?